

Message Text

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ACTION EA-09

INFO OCT-01 ISO-00 AS-01 EAE-00 SP-02 USIA-15 AID-05

EB-07 NSC-05 EPG-02 SS-15 STR-04 OMB-01 CEA-01

CIAE-00 COME-00 FRB-01 INR-07 NSAE-00 XMB-04

OPIC-06 LAB-04 SIL-01 ABF-01 /092 W

-----006343 301057Z /21

P R 300940Z JUN 77

FM AMEMBASSY TOKYO

TO SDCSTATE WASHDC PRIORITY 9066

TREASURY DEPT WASHDC

SECDEF WASHDC

INFO CINCPAC HONOLULU HI

COMUSJAPAN YOKOTA JA

UNCLAS TOKYO 9832

DEFENSE FOR BIFPD

CINCPAC FOR J72

TREASURY FOR SPRINGBORN

E.O. 11652: N/A

TAGS: MARR, EFIN, JA, ABUD

SUBJECT: REPORT OF POSSIBLE SWITCH IN U.S. FORCES YEN CONVERSION
PROCEDURE

1. SUMMARY: LENGTHY JUNE 30 PRESS ARTICLE DISCUSSED POSSIBLE SWITCH IN YEN CONVERSION PROCEDURE FOR MILITARY FORCES AND OVERALL PROBLEMS OF JAPAN'S LARGE CURRENT ACCOUNT SURPLUS AND MEASURES GOVT IS CONTEMPLATING TO REDUCE IT. END SUMMARY.

2. JUNE 30 MORNING EDITION OF NIHON KEIZAI HEADLINED REPORT THAT GOVT AND BANK OF JAPAN (BOJ) WERE CONSIDERING VARIOUS MEASURES TO MITIGATE CRITICISM OF JAPAN'S CURRENT ACCOUNT SURPLUSES, INCLUDING POSSIBLE SWITCH IN SALES OF YEN TO U.S.
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FORCES JAPAN FROM GOVT TO PRIVATE SECTOR. CITING REPORTS OF JUNE 29 GOVT AND BOJ CONFERENCE TO CONSIDER MEANS TO REDUCE THE SURPLUS, THE ARTICLE SAID: "AS A RESULT OF THE STUDY TILL THAT NIGHT, THERE CAME TO THE FORE A PLAN TO SWITCH THE GOV'S 'SALES OF THE YEN' (PURCHASE OF DOLLARS AND SALES OF YEN) TO THE U.S. FORCES STATIONED IN JAPAN OVER TO PRIVATE CIRCLES, IN ADDITION TO LEAVING THE YEN ON

A HIGH LEVEL,' AND THEREBY TO CURB THE DIRECT INCREASE OF FOREIGN CURRENCY RESERVES AND AIM AT THE EFFECTS OF A HIGH YEN. FURTHERMORE, THE FOLLOWING POINTS HAVE APPEARED AS TASKS FOR STUDY: (1) ADDITIONAL BUSINESS-PROPPING-UP MEASURES BY MEANS OF COMPILATION OF A LARGE-SIZE SUPPLEMENTARY BUDGET AND FURTHER LOWERING OF THE MONEY RATES, (2) IMPORT LIBERATION OF BEEF AND DAIRY PRODUCTS AND REQUESTS TO TRADING FIRMS FOR EXPANSION OF IMPORTS OF PRODUCTS, AND (3) GUIDANCE TOWARD SELF-IMPOSED EXPORT CONTROLS BY INDIVIDUAL INDUSTRIES."

3. AFTER BRIEFLY DESCRIBING PROBLEM OF CURRENT ACCOUNT SURPLUS THAT IS NOW RECEIVING HEAVY PLAY IN PRESS AND CITING CRITICISM OF JAPAN VOICE AT OECD, ARTICLE GAVE RATHER EXAGGERATED COMPARISON OF PRESENT SITUATION WITH STRAINED U.S. JAPAN ECONOMIC RELATIONS IN AUG 1971 AND FEB 1973. ARTICLE CLAIMED GOVT WAS CONSIDERING STEPS WHICH WOULD LEAD TO STRONGER YEN AND DESCRIBED IN SOME DETAIL ROLE WHICH MILITARY YEN CONVERSION PROCEDURE WOULD PLAY IN SUCH A PROCESS. FULL TEXT OF THIS DESCRIPTION GIVEN IN FOLLOWING PARA.

4. BEGIN TEXT. CONCRETELY, THE DOMINANT VIEWS ARE THAT THE PRESENT SYSTEM OF "SALES OF THE YEN," UNDER WHICH THE U.S. FORCES STATIONED IN JAPAN DIRECTLY PURCHASE THE YEN CURRENCY FROM THE JAPANESE GOVT, WITHOUT GOING THROUGH THE UNCLASSIFIED

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MARKET, IN CASE THEY PROCURE MATERIALS IN JAPAN OR PAY WAGES TO A JAPANESE EMPLOYEES WILL BE SWITCHED TO PRIVATE CIRCLES SO THAT THE U.S. FORCES IN JAPAN WILL PURCHASE THE YEN (SELL DOLLARS) FROM FOREIGN EXCHANGE BANKS IN THE FUTURE. AT PRESENT, THE SALES OF THE YEN TOTAL AN ANNUAL AMOUNT OF ABOUT \$600 MIL, AND THE TOTAL AMOUNT OF THE SALES HAS BEEN ADDED TO OUR COUNTRY'S FOREIGN CURRENCY RESERVES. IF THIS IS SHIFTED TO PRIVATE CIRCLES, THE GOVT CAN THEREBY DODGE THE CRITICISM THAT "JAPAN IS ONLY INCREASING ITS FOREIGN CURRENCY RESERVES." MOREOVER, AS A RESULT OF AN INCREASE IN THE SALES OF DOLLARS (PURCHASE OF YEN), THAT WILL WORK AS A FACTOR FOR A HIGH YEN. THE FINANCE MINISTRY WANTS TO ENTER INTO NEGOTIATIONS WITH THE U.S. FORCES STATIONED IN JAPAN IMMEDIATELY, AFTER CONSULTATIONS WITH THE BANK OF JAPAN. END TEXT.

5. ARTICLE CONCLUDES BY SAYING THAT MEASURES TO INCREASE UPWARD PRESSURE ON YEN WERE NOT CONSIDERED BY GOVT LEADERS TO BE SUFFICIENT TO CURB FOREIGN CRITICISM OF JAPAN'S EXTERNAL SURPLUSES, SINCE STRONGER YEN PER SE MIGHT NOT REDUCE THE BALANCES. ARTICLE REPORTED OTHER POSSIBLE STEPS WERE BEING STUDIED BY THE GOVT, INCLUDING

ABOLITION OF IMPORT RESTRICTIONS ON FARM PRODUCTS,
SPEEDING NEGOTIATIONS TO LOWER TARIFFS, INCREASED
DEVELOPMENT ASSISTANCE, SIMPLIFICATION OR REDUCTION OF
NON-TARIFF BARRIERS AND ESTABLISHMENT OF AN ORDERLY
EXPORT STRUCTURE.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
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Decaption Note:
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Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
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Disposition Event:
Disposition History: n/a
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